

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7552**

**BILL NUMBER: HB 1825**

**DATE PREPARED:** Jan 16, 1999

**BILL AMENDED:**

**SUBJECT:** Sales tax on college textbooks.

**FISCAL ANALYST:** Jim Mundt

**PHONE NUMBER:** 232-9858

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(3,100,000)	(3,100,000)
State Expenditures			
Net Increase (Decrease)		(3,100,000)	(3,100,000)

**Summary of Legislation:** This bill provides that sales of textbooks are exempt from the state gross retail tax if: (1) the textbooks are required for an undergraduate course at an accredited college or university; and (2) the purchaser is a student enrolled in an accredited college or university or the parent or guardian of a student enrolled in an accredited college or university.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** This bill will result in a reduction in sales tax revenue beginning with FY 2000. It provides an exemption from the sales tax for students purchasing textbooks for undergraduate courses. The Indiana University Bookstore estimates its annual sales of textbooks to be about \$8.5 million per year. About 77% of IU's students are undergraduates and about 10.5% of the state wide undergraduate enrollment goes to IU. For the 1996-97 school year, there were 141,399 full time and 180,011 part time undergraduate students in Indiana. It is estimated that book sales to these students are in the amount of about \$62.4 million per year. This means that the annual loss of revenue as a result of this proposal would be approximately \$3.1 million.

Gross retail (sales) and use taxes are deposited in the State General Fund (59.2%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), and the Industrial Rail Service Loan Fund (0.04%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Commission for Higher Education; Indiana University Bookstore, 812-855-6018.